REPORT

OF THE

Indian Tariff Board

ON THE

SEWING MACHINE INDUSTRY

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PERSONNEL OF THE BOARD

Sir R. K. SHANMUKHAM CHETTY, K.C.I.E.—President.

Mr. C. C. DESAI, C.I.E., I.C.S.—Member-Secretary.

Dr. NAZIR AHMAD, O.B.E.—Member.

Dr. H. L. DEY, D.Sc. (Lond.)—Member.

Rai Sahib S. C. AGGARWAL, B.A. (Hons.), Dipl. Min. Eng. (Leeds), F.G.S. (London)—Deputy Secretary.

PERSONNEL OF THE PANEL WHICH HEARD THIS CASE

Sir R. K. SHANMUKHAM CHETTY, K.C.I.E.—President.

Mr. C. C. DESAI, C.I.E., I.C.S.—Member-Secretary.

Dr. H. L. DEY, D.Sc. (Lond.)—Member.

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REPORT ON THE SEWING MACHINE INDUSTRY

Reference to the Board.

1. An application for the protection of the Sewing Machine Industry was made to the Commerce Department, Government of India, by Jay Engineering Works, Ltd., Calcutta, on the 6th November 1945. The application was referred to the Tariff Board for investigation by the Government of India, Department of Commerce, in their Resolution No. 218-T (55)/45, dated the 4th May 1946, read with their earlier Resolution dated the 3rd November 1945.

Terms of reference.

2. The terms of reference to the Board, which are stated in the Resolution of the Government of India, Department of Commerce, No. 218-T (55)/45, dated the 3rd November 1945, are as follows :—

> " In the case of each industry the Board will, after such examination as it considers necessary, report whether the industry satisfies the following conditions :—
>
> (1) that it is established and conducted on sound business lines ;
>
> (2) (*a*) that, having regard to the natural or economic advantages enjoyed by the industry and its actual or probable costs, it is likely within a reasonable time to develop sufficiently to be able to carry on successfully without protection or State assistance ; or
>
> (*b*) that it is an industry to which it is desirable in the national interest to grant protection or assistance and that the probable cost of such protection or assistance to the community is not excessive.
>
> Where a claim to protection or assistance is found to be established, i.e., if condition (1) and condition (2) (*a*) or (*b*) are satisfied, the Board will recommend—
>
> (i) whether, at what rate and in respect of what articles, or class or description of articles, a protective duty should be imposed ;
>
> (ii) what additional or alternative measures should be taken to protect or assist the industry ; and
>
> (*iii*) for what period, not exceeding three years, the tariff or other measures recommended should remain in force.
>
> In making its recommendations the Board will give due weight to the interests of the consumer in the light of the prevailing conditions and also consider how the recommendations affect industries using the articles in respect of which protection is to be granted. Since relief, to be effective, should be afforded without delay, the Board is requested to complete its inquiries with all possible expedition and to submit a report as soon as the investigation of the claim of each industry is concluded."

Method of inquiry.

3. On the 27th June 1946, the Board issued a Press Communique inviting associations, firms or persons, including producers, consumers and importers, directly interested in this industry or dependent upon it for their equipment, who wished their views to be considered, to submit their representations. Detailed questionnaires were also issued to producers, consumers and importers. A list of associations or persons to whom the questionnaires were issued and of those from whom replies or memoranda were received will be found in Appendix I and Appendix II respectively. A list of the factories visited by or on behalf of the Board will be found in Appendix III. Oral evidence of representatives of producers, consumers and importers was taken at Bombay on the 26th and 27th November 1946. A lis of the witnesses examined is given in Appendix IV.

History of the industry.

4. (*a*) The known producers of sewing machines in India are (1) Jay Engineering Works, Ltd., Calcutta, (2) Indian Sewing Machine Manufacturing Co., Ltd., Lahore, (3) The Delhi Sewing Machine Co., Ltd., Delhi and (4) Sewing Machine Factory, Peshawar.

(*b*) Jay Engineering Works, Ltd., Calcutta, was registered in 1936 and commenced production of sewing machines in 1937, the trade name of these machines being " Usha ". At the outbreak of war, however, the firm was required by Government to switch on a major portion of its productive capacity to the production of munitions, such as, halden apparatus, pressure gauges, vapourising tubes, special types of stoves, thread milling machines, aircraft components and various other precision stores. Consequently, the development of sewing machine manufacture was held up for a few years. In 1943, the firm was given import licences to import from U. K. and U. S. A. plant and machine tools for the sewing machine industry. During the war period its production of sewing machines was practically confined to meeting the requirements of the Supply Department of the Central Government. When the war was over, it started concentrating again on the manufacture of sewing machines and is now reorganising the factory on mass production lines. It has secured the services of one Mr. J. D. Scaife who is a past President of the Institution of Engineers in U. K. and an ex-employee of the Singer Sewing Machine Company. The firm is manufacturing all parts and components of a sewing machine except needles. It also manufactures hurricane lanterns, enamels and paints, cooking ranges, electric fans and other mechanical appliances. The Indian Sewing Machine Manufacturing Company, Lahore, was registered early in 1938 and commenced manufacture of sewing machines in the same year, its brand being called " Auluk ". During the war period, however, this firm also discontinued the production of sewing machines and concentrated on the manufacture of machine chucks instead. Recently, however, it has reverted to the manufacture of sewing machines as the main line of business along with the production of self-centring lathe chucks. The Delhi Sewing Machine Company, Limited, commenced manufacture of sewing machines in 1938, their trade name being " Daisy ". It had to stop manufacturing sewing machines during the war owing to restrictions on raw materials. It is at present producing mainly spare parts but is reported to be contemplating re-organising the works so as to undertake the manufacture of sewing machines on a fairly large scale. About the middle of 1946 another small factory was started in Peshawar largely for the purpose of re-employment of ex-servicemen. It is established as a co-operative society, has a capital of Rs. 90,000 and employs 60 men.

(c) The productive capacity of the industry is estimated as follows :—

(Figures indicate whole machines)

Name of the factory	1946-47	1947-48	1948-49
1. Jay Engineering Works, Ltd., Calcutta .	6,000	10,000	15,000
2. Indian Sewing Machine Manufacturing Co., Lahore.	1,800	1,800	1,800
3. Delhi Sewing Machine Co., Delhi .. 4. Peshawar Sewing Machine Factory, Peshawar.	200	200	200
Total ..	8,000	12,000	17,000

Uses.

5. Sewing machine is a domestic appliance. It is also required for the tailoring industry and for certain other industrial purposes, such as, shoe-making, harness-making and the making of hand-bags, canvas tarpaulin and thousand and one other things in which sewing or stitching is necessary.

Imports.

6. Before 1937-38, imports of sewing machines were not separately recorded in the Account of Sea-Borne Trade. They were included under "Machinery and component parts thereof, which require for their operation less than one-quarter of one-brake-horse-power." Since 1937-38 imports of sewing machines have been as follows :—

Year	No.	Value in Rupees.
1937-38	90,023	66,65,809
1938-39	61,231	46,31,242
1939-40	75,382	61,35,303
1940-41	34,586	38,68,946
1941-42	41,011	42,06,096
1942-43	18,575	18,61,523
1943-44	4,389	7,32,089
1944-45	10,050	11,86,141
1945-46	28,273	33,60,804

The statistics of imports of sewing machines, country-wise, will be found in Appendix V. It will be seen that in the pre-war period the bulk of the imports came from U. K., while quite an appreciable number was imported from Germany. A few hundred machines were also imported from Japan and U. S. A. During the war period also U. K. was the principal source of supply while U. S. A. was the only other supplier. U. K. is also likely to be the major source of supply in the near future, while other possible suppliers are U. S. A., Sweden and Italy. It is agreed by both the producers and the importers that for the purpose of this case U. K. may be regarded as the principal competing country.

Estimated domestic demand and domestic production.

7. From the available statistics, it is found that in the pre-war period when there was no domestic production, the highest demand was 90,000 machines in 1937-38. During the war period, the supply was restricted and India was starved in respect of her requirements of sewing machines. Taking into consideration the growth of population and the rise in the standard of living, together with the unsatisfied demand of wartime, it is estimated that the requirements in the next three years would be approximately 120,000 machines per annum. In paragraph 4, we have seen that the estimated domestic production of sewing machines will be 8,000 in 1946-47, 12,000 in 1947-48, and 17,000 in 1948-49. There being thus a big gap between the anticipated demand and the expected domestic production, there is considerable scope for investment of fresh capital in expanding the existing units and in establishing new ones. Since sewing machine is a necessary appliance for household purposes as well as for national economy, we think it desirable that the domestic production of sewing machines should be encouraged and stepped up. We, therefore, recommend that necessary facilities for the importation of machinery for the sewing machine industry should be afforded and that the duty on such machinery should be refunded with retrospective effect from the 4th May 1946, which is the date of reference of the case to the Board.

Raw materials.

8. The raw materials required for the sewing machine industry are as follows :—

(1) Meehanite castings.

(2) Steel of various kinds, such as, (i) M.S. Black sheet, (ii) M.S. bar, (iii) M.S. wire, (iv) carbon steel rod, (v) M.S. bright sheet, (vi) M. S. bright rolled flat, (vii) M.S. deep drawing sheet, (viii) silver steel rod, (ix) spring steel strip coil and (x) spring steel wire.

(3) Wood : teakwood and plywood.

(4) Painting and plating materials, such as, stoving enamel, lacquers, thinners, transfers, copper anodes and nickel anodes.

(5) Rubber ring, and leather belt (for treadle machine only).

(6) Accessories, such as, oil bottle, oil can, needle and metal accessory box.

A sewing machine factory is expected to have a foundry of its own to enable castings to be made therein. Of the ten different kinds of steel mentioned above, the first four are available in the country, while the remaining six have to be imported. We understand that in the near future, two other items of steel in the list, viz., M. S. bright rolled flat and M.S. deep drawing sheet, will also be manufactured in the country. Previously the industry used indigenous paints and plating materials, which did not, however, give a good finish. Imported paints of better quality are therefore now being used.

Process of manufacture.

9. Sewing machine is an assembly of a number of parts machined out of iron castings, steel forgings and steel sections. A very high degree of precision is required in the finishing of all internal and external dimensions in order to ensure light running and interchangeability of parts. Such of the parts as have to withstand maximum wear and tear have to be subjected to proper heat treatment for hardening.

Several machining operations which cannot be accomplished efficiently on ordinary machines require special purpose machines. All gauges, tools, jigs and fixtures are made by precision machines in the tool room where extra care is required to check their dimensions and ensure hardness of the parts which have to withstand great wear and tear caused by constant use. All exposed surfaces of the sewing machine are either electro-plated or enamelled. The handmachine is mounted on a wooden base while the treadle machine is mounted on a wooden board which is supported by an iron stand. A light wooden covering is provided to close the top portion of the machine.

Quality of the indigenous product.

10. The indigenous sewing machine is at present somewhat inferior to the imported machine in its wearing quality, finish and appearance. We have reason to believe that the wearing quality of the Indian-made sewing machines will come up to the mark when the manufacturer has acquired all the tool room equipment and his technical personnel have achieved the necessary skill. The finish and appearance should also improve with the use of better qualities of finishing paints and plating materials. Considering the infancy of the industry in the country, the product turned out is creditable and is being daily improved to attain the standard of the best imported machines in appearance, performance and adaptability.

Board's estimate of cost of production and fair selling price.

11. (1) *Economic unit.*—In estimating the cost of production and fair selling price of sewing machines for the purpose of determining the extent of protection necessary for the domestic industry, it is important to fix the size or productive capacity of an economic unit. The trend of expert opinion is to the effect that in the present conditions of demand for sewing machines and supply of skilled labour and technicians in the country, a firm with a productive capacity of 50,000 machines per annum should be regarded as an economic unit. There is at present no firm which possesses this capacity. The biggest existing unit in the country is Jay Engineering, which produced 5,061 machines in 1945-46 and is expected to produce 6,000 machines in 1946-47, 10,000 machines in 1947-48, and 15,000 machines in 1948-49. The two most serious bottlenecks in the expansion of output, which will take years to overcome, are those in respect of tool room equipment and technical personnel. Considering all the circumstances of the case, we feel that Jay Engineering has been doing its best to remove these bottle-necks and expand production and that during the transition period it might be regarded as an economic unit.

(2) *Estimate of cost and fair selling price.*—The Board's Cost Account Officer investigated the cost of production of sewing machines at Jay Engineering Works for the year 1945-46. The cost records maintained by the firm were found to be somewhat incomplete and unsatisfactory, a defect which is common to most of our industries. With the help of the Board's Technical Adviser and in consultation with the technician and the manager of the firm, the Cost Accounts Officer built up the production cost for the year 1945-46 and prepared an estimate of cost of production for the years 1946-47; 1947-48 and 1948-49. The Board scrutinised the cost data and arrived at the following estimate of future cost of production and fair selling price of hand sewing machines and treadle sewing machines in the country :—

Board's Estimate of Cost and fair Selling Price of one Hand Sewing Machine.

	1946-47			1947-48			1948-49		
Estimated Output	3,000 machines			5,000 machines			7,500 machines		
	Quantity	Rate	Amount	Quantity	Rate	Amount	Quantity	Rate	Amount
			Rs.			Rs.			Rs.
(1) Materials :—									
(*a*) Meehanite castings.	46 lbs. ..	Rs. 22 per cwt.	9·036	46 lbs. ..	Rs. 19 per cwt.	7·804	46 lbs. ..	Rs. 17·5 per cwt.	7·186
(*b*) Steel ..	13·274 lbs.	Rs. 612·727 per ton.	3·631	13·247 lbs. ..	Rs. 612·727 per ton.	3·631	13·274 lbs. ..	Rs. 612·727 per ton.	3·631
(*c*) Wood ..	....	....	11·195	....	....	11·195	....	....	11·195
(*d*) Paints, plating materials, sundry materials and accessories.	....	....	3·833	....	....	3·833	....	....	3·833
TOTAL MATERIALS COST .	....	....	27·695	....	....	26·463	....	....	25·845
(2) Power and fuel ..	....	....	3·356	....	....	2·103	....	....	1·677
(3) Labour ..	....	....	35·955	....	....	30·085	....	....	25·124
(4) Repairs, maintenance, consumable stores and small tools.	....	....	4·500	....	....	4·220	....	....	4·000

(5) Establishment	....	22·363	....	....	15·194	....	10·956
(6) Depreciation	....	23·027	....	....	16·041	....	13·282
(7) Other Overheads	....	4·574	....	....	3·099	....	2·132
(8) Packing	....	6·417	....	....	6·417	....	6·417
(9) Advertisement	....	5·000	....	....	5·500	....	5·500
(10) Allowance for railway freight.	....	1·500	....	....	1·500	....	1·500
(11) Interest on working capital at 4 %.	(On Rs. 88,000)	1·173	....	(On Rs. 1,25,200)	1·002	(On Rs. 1,66,500)	0·889
Cost of Production	....	135·560	....	....	111·624	....	97·322
Return on Fixed Capital at 10%.	(On Rs. 5,16,500)	17·216	....	(On Rs. 5,66,500)	11·330	(On Rs. 6,16,500)	8·220
Fair Selling Price per Machine.	....	152·776 or Say, Rs. 153	....	....	122·954 or Say, Rs. 123	....	105·542 or Say, Rs. 106

Note.—The output is divided equally between hand and treadle machines.

Board's Estimate of Cost and Fair Selling Price of one Treadle Sewing Machine.

	1946-47			1947-48			1948-49		
Estimated Output	3,000 machines			5,000 machines			7,500 machines		
	Quantity	Rate	Amount	Quantity	Rate	Amount	Quantity	Rate	Amount
			Rs.			Rs.			Rs.
(1) Materials :—									
(*a*) Meehanite castings.	104 lbs.	Rs. 22 per cwt.	20·527	104 lbs. ..	Rs. 19 per cwt.	17·727	104 lbs. ..	Rs. 17·5 per cwt.	16·328
(*b*) Steel ..	10·774 lbs.	Rs. 612·727 per ton.	2·899	10·774 lbs. ..	Rs. 612·727 per ton.	2·899	10·774 ..	Rs. 612·727 per ton.	2·899
(*c*) Wood ..	....	....	12·949	....	....	12·949	....	....	12·949
(*d*) Paints, plating materials, sundry materials and accessories	....	....	5·560	....	....	5·560	....	....	5·560
TOTAL MATERIALS COST	....	....	41·935	....	....	39·135	....	....	37·736
(2) Power and fuel ..	....	....	3·356	....	....	2·103	....	....	1·677
(3) Labour ..	....	....	35·955	....	....	30·085	....	....	25·124
(4) Repairs, maintenance, consumable stores and small tools.	....	....	4·500	....	....	4·220	....	....	4·000

(5) Establishment ..	....	....	22·363	....	....	15·194	....	....	10·956
(6) Depreciation ..	....	....	23·027	....	....	16·041	....	....	13·282
(7) Other Overheads ..	....	....	4·574	....	....	3·099	....	....	2·132
(8) Packing ..	....	....	10·953	....	....	10·953	....	....	10·953
(9) Advertisement ..	....	....	5·000	....	....	5·500	....	....	5·500
(10) Allowance for railway freight.	....	....	2·500	....	....	2·500	....	....	2·500
(11) Interest on working capital at 4 per cent.	....	(On Rs. 1,02,500)	1·367	....	(On Rs. 1,48,000)	1·184	....	(On Rs. 1,99,100)	1·062
COST OF PRODUCTION ..	....	....	155·530	....	....	130·014	....	....	114·922
Return on fixed capital at 10 per cent.	....	(On Rs. 5,16,500)	17·216	....	(On Rs. 5,66,500)	11·330		(On Rs. 6,16,500)	8·220
FAIR SELLING PRICE PER MACHINE.	....	....	172·746 or Say, Rs. 173	....	....	141·344 or Say, Rs. 141	....	....	123·142 or Say, Rs. 123

(3) *Comments on the estimate* :—

(i) *Materials.*—The rate shown against castings is inclusive of the cost of materials, labour and other overheads, for the foundry. Till about the end of 1945, the foundry was doing much war work. Production in the foundry has now decreased and consequently the cost of production of meehanite castings has gone up from Rs. 14 per cwt. in 1945-46 to Rs. 22 per cwt. in 1946-47. With larger production in subsequent years, the cost of castings will go down. The cost of steel, wood, paints and plating materials has also slightly risen on account of the use of better materials.

(ii) *Power and fuel.*—Rates for coal and furnace oil given by the firm were somewhat on the high side and appropriate rates in line with current market prices have been adopted.

(iii) *Labour.*—In the estimate of cost of labour, including dearness allowance, it has been assumed that the efficiency of labour will have improved and the existing bottle-neck in respect of tools, jigs and special purpose machinery will have been progressively removed and that consequently the output of machines per worker will go up from 13 in 1945-46 to 18 in 1946-47, 22 in 1947-48, and 26 in 1948-49.

(iv) *Establishment.*—The present strength of the staff is considered sufficient for the estimated increase in output during the three years. Provision, however, has been made for increment of salary at 5 per cent. per annum.

(v) *Depreciation.*—Depreciation at income-tax schedule rates has been allowed on the written-down value of buildings, plant and machinery and other fixtures. Jigs, tools, patterns and gauges on which a considerable amount has already been spent and is likely to be spent in the next three years are subjected to very heavy wear and tear and do not last for more than three or four years. The Board accepted the contention of the manufacturers that the expenditure on these items should be written off within three or four years. Accordingly, the balance standing to the debit of such account as on 31st March 1946 plus the estimated expenditure in the next three years minus the estimated value of such jigs and tools as on the 31st March 1949 has been spread over the total number of machines produced in 1945-46 and expected to be produced in 1946-47, 1947-48 and 1948-49, and the amount thus written off has been included under depreciation.

(vi) *Packing.*—There will be a slight increase in the cost of packing on account of the higher price of packing materials, as also for the reason that the proportion of sales of machines to Government, which are supplied unpacked, will decrease appreciably.

(vii) *Advertisement.*—During wartime imports were restricted and there was no competition. Consequently, expenses on account of advertisement were low. In future years, however, competition is likely to be keener rendering intensive advertisement necessary. We have allowed Rs. 5 per machine for 1946-47 and Rs. 5·5 per machine for 1947-48 and 1948-49.

(viii) *Allowance for railway freight.*—During the first 10 months of 1946 the number of machines despatched by Jay Engineering from Calcutta to Bombay, Madras, Karachi and other places came to 48 per cent. of their total output and the average freight per machine despatched was Rs. 4. Assuming that the despatches outside Calcutta in the next three years will be about 50 per cent. of the total output, the average freight that can be allowed over the total output is Rs. 2 per machine. The packed weight of a hand machine is 1½ maunds and that of a treadle machine is 2½ maunds. We have, therefore, given a freight allowance of Rs. 1-8-0 per hand machine and Rs. 2-8-0 per treadle machine.

(ix) *Interest on working capital.*—Working capital has been taken to be equal to three months' cost of production, excluding allowance for depreciation but including allowance for the write-off of expenditure on tools, jigs, patterns and gauges. The working capital for hand machines and treadle machines has been separately calculated and shown in the cost statement, and interest at 4 per cent. thereon has been allowed.

(x) *Return on fixed capital.*—The total value of all the fixed assets of Jay Engineering as on the 31st March 1946 is Rs. 17,13,964, out of which Rs. 9,40,452 is allocated to the sewing machine section. The likely additions to fixed assets during the years 1946-47, 1947-48 and 1948-49 are estimated at Rs. 92,739, Rs. 1,00,000 and Rs. 1,00,000 respectively. The total value of all the assets is divided equally between hand machine and treadle machine, and profit thereon has been allowed at 10 per cent.

(4) *Maintenance of Cost Accounts.*—The Indian Sewing Machine Manufacturing Company, Lahore, could not supply any satisfactory cost data. Jay Engineering Works also did not keep its cost accounts in a systematic form. Should the case of the industry come up again for a review, the firms engaged in the industry will have to produce complete cost data. We recommend that in future they should maintain separate and satisfactory cost accounts for the sewing machines produced by them.

Existing duty.

12. Under the present Customs Tariff (First Schedule), the duty is as follows :—

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		
				The United Kingdom	A British Colony	Burma
72 (10)..	Sewing and knitting machines (and parts thereof) to be worked by manual labour or which require for their operation less than one-quarter of one brake-horse-power.	Preferential revenue.	36 per cent. ad valorem.	24 per cent. ad valorem.	24 per cent. ad valorem.	12 per cent ad valorem.

Since the bulk of the imports of sewing machines come from U.K., the effective rate of duty is 24 per cent. *ad valorem.*

C.I.F. and landed cost of imports.

13. Singer sewing machines constitute the bulk of the imports. The only other type of machine that is known to have been imported in recent months is Husqvrna treadle machine from Sweden at a landed cost, inclusive of duty, of Rs. 233-13-11, which is far above the landed cost of Singer sewing machines and is much higher than the fair selling price of indigenous machines. This brand of machine cannot, therefore, be regarded as competitive with Indian-made machines. We find that Singer sewing machines Nos. 15K 81 (hand) and 15-K 80 (treadle) are the two machines that compete respectively with the hand machine and treadle machine produced in the country. The c.i.f. prices and landed costs of these two types of machines are as follows :—

	15K 81 (hand)			15K 80 (treadle)		
	Rs.	a.	p.	Rs.	a.	p.
C.I.F.	99	2	8	118	15	8
Duty at 24% on c.i.f.	23	12	9	28	8	11
Landing and clearing charges	0	7	3	0	15	5
Landed cost	123	6	8	148	8	0

It should be mentioned that in calculating the c.i.f. and landed cost of imports we have omitted an item of cost as given by Singer Sewing Machine Co., viz., war risk insurance, which is hardly justified at present.

Retail selling prices of imports and indigenous products.

14. (1) *Current retail prices.*— Normally a comparison between the landed cost of imports and the fair selling price of the indigenous article is sufficient to give an indication of the degree of competition affecting the home industry. But in the case of sewing machines we have found that such a comparison does not fully serve the purpose, because, unlike most other cases, there is in this case a very big margin of difference between the landed cost and the retail selling price in the country. Thus, for instance, while the landed cost, inclusive of duty, of Singer hand machine 15K 81 is Rs. 123-6-8, its retail selling price is Rs. 228; again, while the landed cost, inclusive of duty, of Singer treadle machine 15K 80 is Rs. 148-8-0, its retail selling price in the country is Rs. 264. In order to find out the relationship between the ex-factory price of Singer sewing machines in U.K. and their c.i.f. price and retail selling price in India, a reference was made to the Company's London office through the High Commissioner for India, but the required information was not furnished. In any case, it is clear that the margin between the landed cost, inclusive of duty, and the retail selling price, of Singer sewing machines in India is unusual and *prima facie* excessive. Since production in England and importation and retail sale in India are in the hands of the same firm, it may be possible for the firm to vary the break-up of the retail selling price into landed cost and selling expenses within wide limits. Moreover, due to the shortage of supply at the present time, Singer sewing machines hold a semi-monopolistic position in the Indian market and their retail selling prices are capable of variations within fairly wide limits. Due to the peculiar circumstances of the case, it appears to us that there is a degree of artificiality about the c.i.f. prices in that they do not fully indicate the extent of competition and that the measure of protection necessary for the indigenous industry should also be judged by a comparison between the retail selling prices of the imported and indigenous

articles. A comparative statement of landed cost, inclusive of duty, and retail selling prices of the imported and indigenous machines is given below :—

Hand Machine

		Rs.	a.	p.
Singer 15K 81	Landed cost	123	6	8
	Retail selling price	228	0	0
Usha	Retail selling price	170	0	0

Treadle Machine

		Rs.	a.	p.
Singer 15K 80	Landed cost	148	8	0
	Retail selling price	264	0	0
Usha	Retail selling price	210	0	0

(2) *Future retail prices of indigenous machines.*—It was represented to us that, due to the existence of a strong bias on the part of consumer in favour of the imported machine, the indigenous machine should sell at Rs. 50 less than the corresponding imported machine, which may be regarded as a premium for prejudice. We think that this difference is justified, but that, as the indigenous machine is expected to improve in quality, finish and appearance, year by year, the margin of difference on account of consumers' bias should diminish by, say, Rs. 10 every year. If the retail selling prices of Singer sewing machines remain stable at their present level, viz., Rs. 228 for hand machine and Rs. 264 for treadle machine, the retail selling price of " Usha " hand machine which can bear an increase from the present figure of Rs. 170 to Rs. 178 in the current year, should rise to Rs. 188 in 1947-48 and to Rs. 198 in 1948-49. Similarly, the retail selling price of " Usha " treadle machine which can bear an increase from the present figure of Rs. 210 to Rs. 214 in the current year, should rise to Rs. 224 in 1947-48 and to Rs. 234 in 1948-49. It was brought to our notice that " Auluk " hand machines and treadle machines, manufactured by the Indian Sewing Machine Manufacturing Co., Lahore, are selling at present at Rs. 200 and Rs. 250 respectively, i.e., at only Rs. 28 and Rs. 14 cheaper than Singer machines of corresponding types. And it was suggested that the prices of " Usha " machines should also be raised to the same level. Although such an increase in the price of " Usha " machines might possibly be sustained in the present state of short supply, such a policy would be unfavourable to the acquisition of " goodwill " and to the building up of a stable and extensive demand, particularly in view of the existence of a consumers' bias in favour of imported machines. We are of the opinion that the policy adopted by Jay Engineering of gradually raising the prices according to the improvement in the quality of their machines year by year will lead to a better result in the long run. We shall, therefore, take the price margins between Singer machines and " Usha " machines as indicated above in determining the measure of protection for the indigenous industry.

Measure of protection.

15. (1) *Comparative statements.*—The measure of protection required by the sewing machine industry is indicated below :—

(A) *Comparative statement of fair selling price and landed cost of hand and treadle machines*

Per Hand Machine

	1946-47			1947-48			1948-49		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
(i) Fair selling price of " Usha " ..	153	0	0	123	0	0	106	0	0
Landed cost (inclusive of 24% duty) of Singer 15K 81.	123	6	8	123	6	8	123	6	8

Per Treadle Machine

	1946-47			1947-48			1948-49		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
(ii) Fair selling price of " Usha " ..	173	0	0	141	0	0	123	0	0
Landed cost (inclusive of 24 % duty) of Singer 15K 80.	148	8	0	148	8	0	148	8	0

If we were to follow the usual method of comparing the landed cost with the fair selling price for determining the degree of protection for the sewing machine industry the figures given above would indicate that, assuming the present import prices to be stable, the existing duty would be inadequate for protection in 1946-47 ; that it would be just sufficient for the purpose in 1947-48 ; and that it would be much more than adequate in 1948-49. Over the period as a whole, therefore, the existing duty would appear to afford sufficient protection to the industry. But, as explained in paragraph 14, this method of procedure would not by itself be adequate to show the extent of competition in this particular case.

(B) *Comparative statement of retail selling prices of hand and treadle machines*

Per Hand Machine

	1946-47	1947-48	1948-49
	Rs.	Rs.	Rs.
(i) Singer 15K 81	228	228	228
" Usha "	170	188	198

Per Treadle Machine

	1946-47	1947-48	1948-49
(ii) Singer 15K 80	264	264	264
" Usha "	210	224	234

We now proceed to consider whether the margin of difference indicated above between the retail selling prices of Singer sewing machines and " Usha " sewing machines will give adequate protection to the indigenous industry. We were informed that the retail selling prices of " Usha " machines are made up of ex-factory price plus freight plus selling commission at 20 per cent. of retail selling price plus

Rs. 5 per machine. Ex-factory price *plus* freight would be equivalent to the estimated fair selling price. On this basis the balance sheet of profit and loss account of "Usha" machines would be as follows :—

Hand Machines

	1946-47	1947-48	1948-49
	Rs.	Rs.	Rs.
(*a*) Maximum retail selling price per machine.	170	188	198
(*b*) Ex-factory price plus freight (Estimated fair selling price) per machine.	153	123	106
(*c*) Selling commission—20% of retail selling price *plus* Rs. 5 per machine.	39	43 (nearest rupee)	45 (nearest rupee)
(*d*) Total cost per machine (*b* + *c*) ..	192	166	151
(*e*) Profit or loss per machine (*a* – *d*) ..	—22	+22	+47
(*f*) Total profit or loss on hand machines ..	—66,000 (3,000 machines)	+1,10,000 (5,000 machines)	+3,52,500 (7,500 machines)

Treadle Machines

	1946-47	1947-48	1948-49
	Rs.	Rs.	Rs.
(*a*) Maximum retail selling price per machine.	210	224	234
(*b*) Ex-factory price plus freight (Estimated fair selling price) per machine.	173	141	123
(*c*) Selling commission —20% of retail selling price *plus* Rs. 5 per machine.	47	50 (nearest rupee)	52 (nearest rupee)
(*d*) Total cost per machine (*b* + *c*) ..	220	191	175
(*e*) Profit or loss per machine (*a* — *d*) ..	—10	+33	+59
(*f*) Total profit or loss on treadle machines .	—30,000 (3,000 machines)	+1,65,000 (5,000 machines)	+4,42,500 (7,500 machines)

Balance Sheet of profit and loss

	1946-47	1947-48	1948-49	Total
	Rs.	Rs.	Rs.	Rs.
Hand machine ..	—66,000	+10,000	+3,52,500	+3,96,500
Treadle machine ..	—30,000	+1,65,000	+4,42,500	+5,77,500
Total ..	—96,000	+2,75,000	+7,95,000	+9,74,000

The balance sheet given above would show that Jay Engineering Company is likely to earn a profit of Rs. 9,74,000 over their total expected sales of sewing machines in the three years 1946-47, 1947-48 and 1948-49. This result should be achieved if the retail selling prices of Singer machines remain what they are at present and the retail selling prices of "Usha" machines in the next two years are fixed, as they should be, according to the calculations given in paragraph 14.

(2) *Amount of duty.*—From the comparative statements of landed cost, inclusive of duty, and fair selling price, as well as of retail selling prices, given in the preceding paragraph, it would be seen that the existing duty will give adequate protection to the indigenous industry during the three years 1946-47, 1947-48 and 1948-49. But in order to give an assurance of protection to the industry and thereby encourage its rapid expansion, it is necessary that the present duty should be stabilised for this period. We, therefore, recommend that the existing preferential revenue duty of 24 per cent. *ad valorem* should be converted into a protective duty and that it should remain in force for the period ending 31st March 1949. But in the meantime, the position should be carefully watched and, if there is an appreciable fall in the c.i.f. prices or in the selling expenses of Singer sewing machines 15K 81 and 15K 80, which may lower the margin of difference between the retail selling prices of these two Singer machines and those of corresponding " Usha " machines below the figures indicated above in paragraph 14 (2), that is, a difference of Rs. 50 in 1946-47, Rs. 40 in 1947-48 and Rs. 30 in 1948-49, the measure of protection is likely to be jeopardised and it would be open to the industry to apply to Government for a review of the case.

Proposed changes in the Customs Tariff.

16. The present tariff item 72 (10) of the First Schedule should be split up into two items as follows :—

Item		Article	Duty.
72 (10)	..	Knitting machines (and parts theoreof) to be worked by manual labour or which require for their operation less than one-quarter of one brake-horse-power.	The rate of duty to remain the same as now, on a preferential revenue basis.
72 (11)	..	Sewing machines (and parts thereof) to be worked by manual labour or which require for their operation less than one-quarter of one brake-horse-power.	There should be a protective duty of 24% ad valorem until the 31st March 1949.

Burden of protection.

17. We have recommended no increase in the present import duty on sewing machines. Consequently, our proposals would not lead to the imposition of any additional burden of protection on the community.

Eligibility for protection.

18. In the light of the past development and present position of the Indian sewing machine industry, we consider that it is established and conducted on sound business lines. It has got the advantages of an enormous home market and of the availability of nearly all essential raw materials. The biggest unit in the industry namely, Jay Engineering Works, has taken many important steps to remove the initial handicaps of the industry in the country. It has made considerable progress in equipping its tool room and in training its technicians and skilled personnel under expert supervision. As the estimate of its future retail selling prices would show, its competitive capacity will improve considerably by the end of 1948-49. Consequently, we may say that the industry is likely to develop sufficiently within a reasonable time to be able to dispense with protection or State assistance. Further, it is an altogether new and important line of industrial development in the country because it calls for skilled work of a high degree of

precision. It may be regarded as a valuable training ground for a class of high-grade technicians, who may be of great help in furthering the industrial development of the country. We, therefore, consider that this industry satisfies in a high degree all the conditions of eligibility for protection.

Summary of conclusions and recommendations.

19. Our conclusions and recommendations are summarised as under :–

(i) There are at present four known sewing machine factories in the country and their total output is expected to be 8,000 in 1946-47, 12,000 in 1947-48, and 17,000 in 1948-49. Paragraph 4.

(ii) The bulk of the imports of sewing machines come from U. K., while U. S. A., Sweden and Italy are likely to be additional sources of imports in the near future. Paragraph 6.

(iii) The domestic demand for sewing machines for the next three years is estimated to be 120,000 per annum, which is far in excess of the estimated domestic production. In order to encourage expansion of the industry, we recommend that the import duty on machinery required for the industry should be refunded with retrospective effect from the 4th May 1946, which is the date of the reference of the case to the Board. Paragraph 7.

(iv) Nearly all the essential raw materials of the industry are available in the country. Paragraph 8.

(v) The indigenous sewing machine is somewhat inferior to the imported machine in its wearing quality, finish and appearance but it has been improving of late and is expected to come up to the mark in future. Paragraph 10.

(vi) The industry should maintain satisfactory cost accounts for sewing machines in future. Paragraph 11 (4).

(vii) Singer Sewing Machines 15K 81 and 15K 80 are the two principal competitors with indigenous sewing machines. Paragraph 13.

(viii) The extent of competition between imported and indigenous machines is to be judged not only by a comparison between landed costs and fair selling prices but also by a comparison between retail selling prices of the two articles. Paragraph 14 (1).

(ix) Due to the existence of consumers' bias in favour of the imported machine, the retail selling price of the indigenous machine should be at least Rs. 50 less than the corresponding retail selling price of the imported machine in 1946-47, Rs. 40 less in 1947-48, and Rs. 30 less in 1948-49. Paragraph 14 (2).

(x) The effective duty on sewing machines is the present rate of 24 per cent. *ad valorem* applicable to imports from U. K. Paragraph 12.

(xi) A protective duty of 24 per cent. *ad valorem* should be imposed on sewing machines, which should remain in force up to the 31st March 1949. Paragraph 15 (2).

(xii) If there is an appreciable fall in the c.i.f. prices or in the selling expenses of Singer Sewing machines 15K 81 and 15K 80, which may lower the margin of difference between the retail selling prices of these two Singer machine and the corresponding " Usha " machines below the figures indicated in paragraph 14 (2), that is, a difference of Rs. 50 in 1946-47, Rs. 40 in 1947-48 an Rs. 30 in 1948-49, the measure of protection is likely to be jeopardised, and i would be open to the industry to apply to Government for a review of the cas Paragraph 15 (2).

(xiii) The present Tariff Item 72 (10) of the First Schedule should be spl up into two items as indicated in paragraph 16.

(xiv) Our proposals would not impose any additional burden of protectio on the community. Paragraph 17.

(xv) The industry satisfies in a high degree the conditions of eligibility fo protection. Paragraph 18.

Acknowledgments.

20. The Board's thanks are due to Mr. Aftab Rai, of the Directorate-Gener of Disposals, Mr. Jangbir Singh, Development Office Department of Industries and Supplies, Government India, and to Dr. P. N. Seth of Lahore, for helping th Board with their expert advice, and to Mr. O. N. Anand, Cost Accounts Office Mr. R. N. Kapur, Technical Adviser, Rai Saheb S. C. Aggarwal, Deputy Secretar and Dr. Rama Varma, Assistant Secretary to the Board for their assistance i carrying out the inquiry.

SHANMUKHAM CHETTY—PRESIDENT.

C. C. DESAI—MEMBER-SECRETARY.

H. L. DEY—MEMBER.

S. C. AGGARWAL—DEPUTY SECRETARY.

Bombay, dated the 10th January 1947.

APPENDIX I

List of firms or individuals to whom questionnaires were issued

Manufacturers :—

1. The Jay Engineering Works, Ltd., Calcutta.
2. Indian Sewing Machine Manufacturing Co., Ltd., Lahore.
3. The Delhi Sewing Machine Co., Ltd., Delhi.
4. Kalsa Cycle Works, Nawashahar, Jullunder, Punjab.
5. Sewing Machine Factory, Peshawar.

Consumers :—

1. Army and Navy Stores, Ltd., Bombay.
2. Messrs. Whiteaway Laidlaw & Co., Ltd., Bombay.
3. Messrs. Evans Fraser & Co., Ltd., Bombay.
4. Messrs. Pednekar & Co., Ltd., Bombay.
5. Messrs. Tailor & Co., Bombay.
6. Director (Clothing), Directorate-General, Ordnance Factories, New Delhi.

Importers :—

1. Messrs. Pednekar & Co., Bombay.
2. Messrs. Ameejee Valleejee & Sons, Karachi.
3. Union Industrial Co., Bangalore.
4. Messrs. Ramkumar Surajbaksh, Jaipur.
5. The Singer Sewing Machine Co., Bombay.
6. Messrs. Bell & Co., Ltd., Bombay.
7. Messrs. Shah & Co., Bombay.
8. Imperial Sewing Machine and Radios, Bombay.

APPENDIX II

List of firms and persons who sent replies to questionnaires

Produceers :—

1. The Jay Engineering Works, Ltd., Calcutta.
2. Indian Sewing Machine Manufacturing Co., Ltd., Lahore.

Consumers :—

1. Army and Navy Stores, Ltd., Bombay.
2. Messrs. Whiteaway Laidlaw & Co., Bombay.
3. Messrs. Evans Fraser & Co., Bombay.
4. Messrs. Pednekar & Co., Ltd., Bombay.
5. Director (Clothing), Directorate-General, Ordnance Factories, New Delhi.

Importers :—

1. Messrs. Bell & Co., Ltd., Bombay.
2. Messrs. Shah & Co., Bombay.
3. The Singer Sewing Machine Co., Bombay.

APPENDIX III

List of factories visited by or on behalf of the Board.

Serial No.	Name of Factory	Visited by	Date
1.	The Jay Engineering Works, Ltd., Calcutta.	Mr. C. C. Desai Dr. H. L. Dey	5th August 1946.
		Mr. R. N. Kapur Mr. O. N. Anand	7th November 1946.
2.	Indian Sewing Machine Manufacturing Co., Ltd., Lahore.	Sir R. K. Shanmukham Chetty. Dr. Nazir Ahmad Dr. H. L. Dey	14th October 1946.
		Mr. R. N. Kapur	9th October 1946.
		Mr. O. N. Anand	10th October 1946.
3.	The Delhi Sewing Machine Co., Ltd., Delhi.	Mr. R. N. Kapur	30th October 1946.

APPENDIX IV

List of witnesses examined at the public inquiry held on the 27th and 28th November 1916

Producers :—

1. Sir Shankerlal, Mr. T. R. Gupta and Mr. J. D. Scaife representing the Jay Engineering Works Ltd., Calcutta.

Importers :—

1. Mr. B. D. Minawalla representing The Singer Sewing Machine Co., Bombay.
2. Mr. S. S. Nair representing Messrs. Bell & Co., Ltd., Bombay.
3. Mr. V. H. Shah representing Messrs. Shah & Co., Bombay.
4. Mr. B. L. Desai representing Messrs. Pednekar & Co., Ltd., Bombay.
5. Mr. K. B. Shah representing The Imperial Sewing Machines & Radios, Bombay.

Suppliers of Raw Materials :—

1. Mr. B. N. Lam and Mr. H. N. Dalal representing Messrs. The Tata Iron & Steel Works Ltd., Bombay.

APPENDIX V

APPENDIX V

Statement showing the Quantity, Value and Average Value per unit of Imports of Sewing Machines into India since 1937-38

		1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46*
I. Quantity of Imports from :—										
U. K.	No. (000)	56·29	36·66	61·89	32·46	29·62	16·19	4·20	Information not available.	
Germany	,,	31·59	23·61	12·16	0·01	....	....	....	,,	,,
Japan	,,	0·69	0·21	0·35	1·01	0·01	....	....	,,	,,
U.S.A.	,,	0·65	0·30	0·48	0·87	11·27	2·32	0·19		
Other Countries	,,	0·80	0·45	0·50	0·24	0·11	0·07	....	,,	,,
Total Imports	,,	90·02	61·23	75·38	34·59	41·01	18·58	4·39	10·05	18·81
II. Value of Imports from :—										
U.K.	Rs. (Lakhs)	42·73	28·16	50·44	34·75	27·97	15·37	6·40	Information not available	
Germany	,,	21·94	17·37	8·61	0·01	....	....	....	,,	,,
Japan	,,	0·20	0·10	0·07	0·12	0·04	....	....	,,	,,
U.S.A.		1·29	0·40	1·70	3·60	13·96	3·20	0·94	,,	,,

Other Countries.	,,	0·50	0·28	0·53	0·21	0·09	0·04	0·01	,,	,,
Total Imports	,,	66·66	46·31	61·35	38·69	42·06	18·61	7·35	11·86	24·09
III. Average Value per Unit of Imports from :—										
U. K.	Rs. As.	75 14	76 13	81 8	107 1	94 7	94 15	152 8	Information not available	
Germany	,,	69 7	73 9	70 13	75 10	....	....	....	,,	,,
Japan	,,	28 14	47 13	19 10	12 4	270 11	....	....	,,	,,
U.S.A.	,,	200 5	132 9	354 12	413 3	123 15	137 15	498 10	,,	,,
Total Imports	,,	74 1	75 10	81 6	111 14	102 9	100 3	167 6	118 0	128 1

*For nine months only from April to December 1946.

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